

## INTRODUCTION

This report presents findings and recommendations of a mission sponsored by USAID/RHUDO Warsaw to develop strategies for technical assistance and capacity building in Albania within the framework of USAID's Municipal Management/Local Government Program in Eastern Europe.

In accordance with USAID/RHUDO guidelines, the strategy focused on the development of capabilities to address land management issues and structure processes for urban planning and development that are responsive to needs and opportunities in a market economy.

The mission visited Albania April 18 to 22, 1994, met with the Minister of Construction, and discussed issues at length with officials of the Ministry's Planning Department and the National Planning Institute who gave generously their time and helped organize meetings and assemble documentation. The mission visited the cities and districts of Tirana and Durrës, and met with mayors, district heads and senior officials.

The proposed activities take into consideration urgent needs identified by the Minister of Construction, and the mayors of the two cities, as well as requests made by the Director of the National Planning Institute, the head of the Ministry's Planning Department, and the technical staff of the cities and districts of Tirana and Durrës. They also reflect a realistic assessment of existing capabilities and absorptive capacity, particularly at the local level, a major concern of development aid organizations involvement in Albania.

### 1.0 BACKGROUND: THE TRANSITIONAL PERIOD

Albania embarked on the difficult path of transition from a centrally planned to a market economy in 1990. As in other Eastern European countries, the initial period was rather chaotic. Since 1992, the government has made an unwavering commitment to economic and institutional reform. This engagement has led to the adoption of a micro-economic stabilization program 1992-1994 and an ambitious development plan for the period 1993-1996. The low GDP/capita of under \$300 gives Albania access to International Development Association (IDA) funds.

Despite poverty and hardship, the momentum created by the privatization of 500,000 farms, 200,000 units of public housing and 30,000 small units of production was reflected in a good economic performance in 1993 led by rising agricultural production.

Amid growing signs of the emergence of a dynamic, mostly informal private sector, the government is trying to consolidate achievements, cope with deeper structural problems and face new challenges. Albania's population is young, with over 33% below 15 years of age and growing at 2% per year. It is also predominantly (2/3) rural. Limits on the extent of land suitable for cultivation, small size of holdings, and high ratio of close to 1 worker per hectare, underscore the difficulty of relying on agriculture as the engine of economic growth. It also points to sustained flows of rural immigrants into urban centers unable to absorb them. Indeed, unemployment is high, affecting 30% to 35% of the labor force, and real wages have declined by 30% since 1991. The social hardships of transition can no longer be ignored. Strategies to expand employment will look to the micro-enterprise sector where the bulk of the activity remains largely informal and undocumented.

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While continuing to proceed with the restructuring and privatization of state owned assets and to

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seek foreign investment, Albania's development policies in the coming three to five years will have to address three basic challenges.

- 1) The necessity to create an enabling environment fostering local entrepreneurship as well as foreign investment;
- 2) The necessity to establish a functional legal and administrative framework for the definition and enforcement of private property rights; and,
- 3) The necessity to provide emerging micro-enterprises, as well as privatized businesses, with the support services they need, starting with access to affordable land, infrastructure, and credit.

The speed and smoothness of Albania's transition rests on its ability to mobilize domestic savings, foster investment and lessen dependence on foreign funds. A key factor in this strategy will be the ability to tap and guide the huge flow of remittances from Albanians abroad. Estimates put the number of expatriate workers at more than 300,000, mostly in Italy and Greece. With inflation under control (down to 30% in 1993 from 104% in 1991) and the local currency ("lek") relatively stable, remittances amounted to over \$200 Million last year fueling a buoyant informal credit market.

Albania exhibits the dualism which characterizes the early stages of development of a market economy. Transitional periods are usually characterized by the emergence of two parallel private markets:

- 1) A formal market operating within the framework of recognized institutions and procedures as they undergo restructuring and adjustment to function in a market economy. Despite their weaknesses, formal institutions can legally access domestic and foreign resources and become integrated in the global economy as they build up capacity to operate in the international market.
- 2) An informal market operating through networks and processes outside the regular systems. It is characterized by a diversity of small scale activities and a multiplicity of operators. Compliance with existing regulations would either entail long and cumbersome administrative procedures or deny them the right to operate altogether.

The coexistence of the two markets is unavoidable at first. In as much as it promotes entrepreneurship and private business development, informal micro activity is often beneficial. However, allowing the two systems to operate in parallel for prolonged periods deprives public authorities of opportunities to mobilize scarce domestic savings and channel resources generated by dynamic subsectors to help drive economic growth. Nowhere is this clearer than in the field of land management and urban development.

## **2.0 LAND MANAGEMENT IN THE TRANSITIONAL PERIOD**

**2.1 The Legal Status of Urban Land.** The Albanian government has moved swiftly to privatize or transfer to local governments land which it held under sole proprietary ownership. The law on restitution (1993) which governs the privatization process treats urban and rural land quite differently.

Agricultural land was privatized by direct transfer to farmers on state and cooperative farms.

Previous owners can only claim compensation based on a sliding scale formula. Since there is no titling system in place, farmers receive temporary titles called "tapi" confirming the attribution of the holding to the family and validating their tenure as owners. The premise is that free transfer of land will only be allowed when registration and cadastre titling systems are enacted and operational and the compensation claims settled. In the meantime, the legal status of transfers and inheritance of rights on the basis of temporary documents has not been clarified. Transactions are taking place and buyers seem confident that their rights will not be challenged. This informal market is particularly active on the urban fringe, thereby compromising the prospect of orderly development of urban extensions and suburban zones.

In contrast, non-agricultural land is to be restituted to previous owners even in the case of parcels duly purchased from the "National Agency of Privatization". Furthermore, the law allows previous owners to purchase any buildings on their land at book value. In the case of buildings acquired through the Privatization Agency, the buyer is entitled to remain on the property as co-owner for a period of two years during which the two parties have to resolve the tenure issues by coming to a negotiated commercial agreement.

Restitution carries responsibility for rehabilitation and maintenance of the property. Buildings with existing commercial uses or offering possibilities of converting space to commercial use at least on the ground floor have been the target of restitution claims. The gap between book value and market value, potential income to be derived from rents at free market prices and prospects of steady appreciation of property values enhances their attractiveness as assets and investments.

Restitution claims in the central zones have aroused resentment among tenants and operators of small businesses particularly in the center of Tirana. Workers who purchased privatized shops and other small enterprises, where they were employed, at book value from the state, are now making good profits. They stand to lose from having to pay market rate rents. This situation has led to the proliferation of kiosks as new micro-enterprises seek to avoid the risk factor involved in renting premises. Tenants fear both higher rents and forced displacement. Relocation is difficult to contemplate when affordable housing is in short supply. Their predicament is a major concern of local government.

The restitution law stipulates that owners filing claims beyond the limit set by the law will only be entitled to compensation. The limit has been twice extended and is scheduled to end in August 1994. However, the law still leaves open the possibility for restitution beyond the limit, for "justifiable" reasons, setting the stage for unending litigation. Unclear status, uncertainty and lack of buyer protection are hindering the development of the urban real estate market and constitute a major impediment to private investment in the urban areas.

**2.2 Property Taxation.** The property tax law enacted in March 1994 clearly reflects the ambiguities of the current situation. The law institutes a tax on agricultural land based on an assessment of productive potential as a proxy for market value. The rates for 10 categories of land are set annually by the Council of Ministers. Agricultural land converted to other uses is assessed at 10 times the rate applicable to the corresponding category. This clause would apply to land outside the municipal boundary line referred to as the "yellow line." To bypass the confusing status of urban land within the yellow line, a situation which is expected to prevail for sometime to come, the law institutes an urban property tax levied on buildings as a flat rate per square meter of floor area for 6 different categories of use. The rates are set annually by the Council of Ministers. For the fiscal year 1995, they range from six leks or less/m<sup>2</sup> for residential space to 50 leks/m<sup>2</sup> for industrial space to 100 leks/m<sup>2</sup> for commercial

space.

Taxing buildings rather than land is clearly a less optimal approach since land is bound to appreciate at a much higher rate, particularly in the larger cities. The government's option to tax buildings reflects the imperatives of crisis management, emphasizing reductions in expenditures and deficits, and expansion of revenues and investments. There is little inclination to forego badly needed immediate receipts for the sake of building up a stronger tax base in the future.

The property tax will be administered and collected by the Ministry of Finance and the revenue shared between central and local levels. Local governments will receive 60% of collections. Criteria and formulas governing the allocation process have not been published yet. Worldwide, experience has shown that this can be a highly contentious issue. To facilitate central/local relations, the process must be systemized and transparent. It must also be clearly related to national economic, social and environmental objectives to rationalize the principles underlying the budgetary allocations.

### **3.0 INFRASTRUCTURE UPGRADING AND DEVELOPMENT**

The World Bank has identified dilapidated infrastructure as a major obstacle to private sector development and foreign investment. This bottleneck indicates a strong role for public authorities at central and local levels to plan and finance the rehabilitation of existing systems and the construction of new facilities and networks. The Bank has taken a lead role in helping Albania generate funds to increase investment in infrastructure services needed to support the development of the private sector.

In urban areas, infrastructure in place is highly inadequate: the network of paved roads is limited; water and sewerage systems are obsolete and inefficient; electric power is unreliable; and, communication systems are woefully deficient. Electricity and water supply are plagued by shortages resulting in sudden fluctuations and service cuts. Lack of maintenance has resulted in huge electrical losses, high leakage rates in the water distribution network and contamination of the water supply by sewage effluent percolating through the soil.

During the transitional period, public utilities are to remain in State ownership. This will facilitate funding and ensure control of investments. Primary infrastructure (facilities and trunk lines) is badly needed to support the development of new economic sectors, starting with tourism, to valorize Albania's scenic coastline and sites of archaeological and historical significance. Tirana and Durrës, where need is greatest, will continue to benefit from investment in infrastructure improvements. Major sources of finance are Italy, the European community and IDA.

In Tirana, access roads are being upgraded and the capacity of the water supply system significantly increased. The latter is a major project which includes building a dam and a reservoir in the mountain area, constructing new treatment facilities, extruding new trunk lines and rehabilitating over 40 km of mains. Electricity and communications are also being improved in an effort to provide business with minimal levels of service.

In Durrës, ongoing projects are concerned with repairing access roads, reactivating the port, and creating the infrastructure to support development of new industrial sites close to the transportation terminals. Projects to upgrade the water supply and electricity systems are included in the public investment strategy and are being considered for funding in the upcoming three-year program.

There are currently no provisions for funding sewerage works in the two cities despite the obsolescence of the existing systems. In light of recent patterns of uncontrolled and chaotic development on the urban fringes and along the Tirana-Durrës corridor, this policy is not environmentally sustainable for any length of time.

#### **4.0 RECENT LAND DEVELOPMENT PATTERNS**

Changes in the structure of property ownership and rights have had an immediate and profound impact on the dynamics of land and housing markets.

Privatization and restitutions are leading to the re-emergence of distinctions between ownership and possession and between primary and subsidiary rights which have long characterized countries where traditional tenure systems and rights were affected by Ottoman and Austro-Hungarian land laws. Current constraints on the free transfer of titles and existing development regulations have resulted in irregularities which affect tenure.

The confused status of urban land and the lack of a workable regulatory framework for land development have led to the emergence of uncontrolled development and illegal occupancy on the urban fringe as well as irregular construction and encroachments on public spaces within the urbanized zone.

Neither bulldozers nor edicts can arrest the spread of these undesirable growth patterns. Despite their complexity, the underlying causes have to be addressed. A coherent land management policy must be formulated. Concerted action at both central and local levels will be needed to plan and implement effective operational strategies.

##### **4.1 Irregular Occupancy of Land.** Two forms of irregular occupancy of land occur:

**4.1.1 Squatterization.** Since 1990 Albanians have been able to move about freely in the country. In growing numbers, rural families are coming to the larger cities in search of employment opportunities and better living conditions. They tend to squat on land presumed in public ownership, in close proximity to the major access roads. They build shacks that are easy to dismantle and relocate with minimum loss of inputs. They constitute a floating population until a stable source of income is found.

**4.1.2 Informal Development.** Since 1990 new freedoms have allowed pent up demand to surface and new demand to quickly take shape. More affluent segments of the middle classes have accumulated savings or remittances and want to invest in urban real estate for a variety of reasons: to fulfill housing aspirations; as a mechanism for upward mobility; a secure and profitable investment; or for speculative purposes.

There is no legally marketable land within the yellow line with clear title and secure property rights. For lack of a better alternative, privatized agricultural holdings in suburban zones and along the major access roads are being subdivided to meet the growing demand for building plots. This uncontrolled sprawl is consuming valuable agricultural land as well as land owned by public authorities. Occupants acknowledge they have no official document validating their tenure; however, they feel secure. They anticipate regularization, and the quality of the structures they build reflect this expectation.

The informal market is also fed by intra-urban mobility. Many sitting tenants have purchased privatized units because of generalized shortages, attractive sales prices or as a hedge against inflation. Few among the middle classes are satisfied with units which they consider to be too small, shoddily built and poorly equipped. The more affluent area actively seeking alternative housing options are confident that they would be able to resell, at a profit, the units they now occupy.

The development observed on the outskirts of Tirana and Durrës points to the existence of organized and potentially lucrative operations run by specialized agents. Lack of cadastral records and the perceived legality of transactions involving unregistered titles have enabled micro entrepreneurs, local brokers and contractors to benefit from irregular practices and profit from speculative investments. They sustain market dynamics, which allow land owners to derive substantial income from sale or lease of quasi-legal plots.

Competition for land between a formal market operating within the constraints of regulatory procedures and an uncontrolled informal market leads to inefficient and unsustainable development patterns. It erodes the legal strength of still largely undocumented property rights, undermines urban planning efforts at the central and local level, and interferes with the enforcement of new laws on property ownership, transfer, valorization and taxation. Worse still in a transitional period, it compromises the productivity of public and private investment in urban development, and deters foreign investors. It contributes to the degradation of efficiency and environmental conditions in the larger centers.

The recent expansion of the urbanized area has mostly occurred through unauthorized, unserviced and unplanned subdivisions along the major access roads. In the districts of Tirana and Durrës, well located parcels, which if adequately serviced, could have a high development potential, possibly attractive to foreign investors. However, these are being lost to chaotic construction at an alarming rate.

The situation in Albania is by no means unique. Unregulated development, unauthorized building activities, and illegal subdivision of agricultural holdings are all occurring around major cities of Eastern and Southern Europe as well as elsewhere in the world. Incomplete cadastral coverage, obsolete records, confused property rights and shortages of affordable housing and building plots are underlying factors which give rise to irregular development. Budget constraints, limited planning and managerial capacity, and politicization of issues at the local level are factors impeding the ability of municipalities to formulate and implement a coherent land management strategy.

A new computerized land information system is being set up for the compilation of a national cadastre and the establishment of records providing information on ownership, size, location and use as well as transactions. This tedious and expensive process which requires documentation and verification of records with existing situations in the field has become a prerequisite to improved land management capacity, efficient property taxation and enhanced planning and project development capabilities.

Few cities could hope to muster the manpower and budgetary resources needed to build a geographic/land information system capacity. Fewer still would manage to keep up with a real estate market where radical change is occurring in patterns of ownership, use and development, and where a growing proportion of the activity is informal and undocumented.

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## **5.0 DECENTRALIZATION AND THE TRANSFER OF STATE ASSETS TO LOCAL**

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## GOVERNMENTS

The law of organization and function of local government enacted in June 1992 established a two-tiered system of local governance with elected councils and officials. The country is divided into 37 districts, encompassing urban centers administered by municipalities and smaller settlements by communes. A parallel regional organization comprising 12 prefectures is a deconcentrated level of central authority exercising partial legal control over local governments but having no control over their budgets. Prefectures have direct authority over the police force.

The institution of local governance entails the transfer of non-privatized state assets to local governments. The law for asset ownership of local government drafted in August 1993 would transfer to districts, municipalities and communes agricultural land remaining in state ownership as well as vacant land and buildings within their jurisdiction. The law authorizes municipal councils to lease, sell, purchase and transfer assets. However, the sale of an "important" asset requires a public referendum approving the transaction. Municipalities can regulate the function and use of land and buildings in public ownership, as well as set rent levels of state owned property located within their boundaries. They own and are responsible for public facilities, markets, local infrastructure and urban services formerly provided by state enterprises to the Ministry of Construction.

The law mandates the transfer of assets but is rather vague as to responsibility for operation and maintenance, and funding of operating costs and capital investments. The law authorizes local governments to set fees for the services they provide. However, financial issues in terms of expenditures, revenues and pricing policies still need to be worked out. The law on local budgets drafted in October 1993 divides municipal budgets into two distinct components:

- 1) Transfers earmarked for delegated functions supervised by central Ministries. Schools and health centers fall in this category and are actually operated by Ministry staff working at the local level.
- 2) Revenue generated from local sources and central budget allocations which the municipality can use freely.

In the context of limited budgetary allocations, municipalities are looking to the management use and disposition of municipal assets and, in particular, land to:

- 1) Generate revenue to finance infrastructure and urban services; and,
- 2) Promote and attract private investment that will create employment.

## 6.0 THE LEGAL AND REGULATORY FRAMEWORK FOR THE MANAGEMENT OF URBAN DEVELOPMENT

Despite the critical importance of land as an instrument of urban management, municipalities in Albania, as in many other countries, do not have the powers they need to adequately deal with land issues. Central authorities control privatization, registration of titles, authentication of deeds and taxation of real estate. They also control the land development process through procedures for the issuance of

development permits. Furthermore, both central and local levels lack operational strategies, instruments and mechanisms to guide and regulate development in a market economy.

**6.1 The Management of Land Development.** The law on city planning enacted in April 1993 institutes a framework for land planning and management which parallels the decentralized administrative structure.

At the local level, communes, municipalities and districts each have a city planning office and refer to the "territory adjustment" council at the district level. Requests for adjustments to the designation allocation or use of land in order to accommodate a new development are submitted for review to the city planning office of the locality. The office reviews the project file, preliminary plans and studies, and support documentation to determine their compatibility with existing plans governing the future development of the city, sector and zone in question. The request is then forwarded to the district territory adjustment council.

Municipalities can only issue development permits for small parcels to build houses and shops. The only exception is Tirana, the capital city, which has its own territory adjustment council independent of the district. In all other cases, it is the districts that review requests and issue permits for developments affecting up to 5,000 m<sup>2</sup>. When larger parcels are involved, the case is referred to the central level. The district territory adjustment council is the most important local body involved in land management issues. The council is headed by the chairman of the elected district council and includes 11 to 21 members comprising mayors of municipalities, representatives from the land registry and the environmental protection offices and professionals outside the government.

At the central level, the Ministry of Construction reviews requests for land development through the Ministry's own Planning Department of the National Planning Institute. The Planning Department has a primarily administrative role: it monitors land development, issues directives and executes regulations pursuant to new laws and coordinates development projects in its capacity as secretariat to the "Territory Adjustment Council of Albania". The National Planning Institute is the technical arm of the Ministry: it develops master plans and sector plans for cities and towns as well as updates them every 15 years. It also designs site plans for housing estates and other large projects. It provides technical assistance to districts and municipalities. The Institute studies major projects, undertakes research and provides technical inputs for the drafting of urban laws and regulations.

Planning studies of national importance, such as studies for tourist facilities, airports, and primary infrastructure, parks and regional facilities, master plans for towns with a population of 10,000 or above, and development projects involving land allocations of 0.5 hectares or more and buildings with a footprint of 5,000 m<sup>2</sup> or more, are submitted to the Territory Adjustment Council of Albania for approval. Local governments concerned are invited to comment on studies and proposals but have only limited influence on the approval process.

Once a development permit is obtained, the applicant can request a building permit. Detailed plans and working drawings are required at this stage. Investors are understandably reluctant to commit the funds needed to produce these documents until they have a development permit in hand. The work can take anywhere from three to six months depending on the applicant's financial resources, the capacity of the professional services retained, and the size and nature of the project.



It is evident that the existing instruments and methods for the management of land development prescribed by the city planning law are still attuned to centralized decision making, controlled urban growth and development occurring through a limited number of large-scale projects which locate on sites assigned to them with no real value attached to the land itself. This system is clearly ill adapted to the dynamics of real estate development in a market economy. An example will illustrate the extent to which it encumbers potential investors with regulatory burdens and delays which erode the financial feasibility of projects.

An investor wanting to locate a commercial enterprise or a manufacturing plant in the commercial/industrial zone on the outskirts of Tirana along the Tirana-Durrës highway will have to submit to the Urban Planning Department of the district a reference file with information on project location, size, cost, etc.; provide a bank guarantee covering 15% of proposed investments; prepare preliminary site plans; and secure approvals from utility enterprises regarding connections to water, electricity, sewerage and telephone. After reviewing the documentation, the planning department would forward the file to the district territory adjustment council to start the process of issuing a development permit.

Albania needs foreign and domestic investments to generate jobs and income. In the absence of a supportive environment for private sector development and adequate infrastructure services, tax incentives and nominal charges will fail to attract investors.

The rigidity of existing planning methods and the cumbersome procedures for land management are a major obstacle to the development of a legal framework for urban development. Central and local authorities have to rely on the speedy development of "detailed plans" for specific tracts which can be used to amend and update master plans, thereby enabling approval of priority projects. It is an expedient method which allows authorities to legally circumvent a dysfunctional process in order to meet the requirements of crisis management. In the longer run, it is unsustainable and counterproductive. Ad hoc decision making is not conducive to the emergence of rational development patterns. Furthermore, the system in place remains ill adapted to the needs of private individuals and small investors. It is bound to be overwhelmed by the dynamics of a free real estate market, and collapse in the face of mounting pressure on urban land.

Today, urban growth is occurring in the suburban zones on privatized land. It is characterized by small-scale building activities of a multitude of property owners who, irrespective of the legal status of their tenure, are subdividing land, building houses, and altering existing buildings. Integrating these informal activities in the formal urban development process will require more flexible institutional linkages, better adapted central/local relations, and streamlined procedures.

**6.2 Regularizing informal land development.** There is a tendency to view informal development as a short-term abnormality that will cease once factors which allowed activities to go on unhindered are finally brought under control. Unfortunately, this is rarely the case when activities are allowed to go on unhindered for any length of time. Informal development reflects imbalances in the structure of the land markets and weaknesses in land management systems that set in motion processes that create their own self-sustaining dynamics.

The financial and managerial costs of regularization are high. Retrofitting is two to three times as costly as preservicing. Yet it is important to avoid counterproductive cycles of strong legislation and

lenient enforcement which ends up reinforcing rather than containing uncontrolled activity. Urban control inspectors are expected to report unauthorized construction to the municipality. After checking with the appropriate Territory Adjustment Council, municipal authorities can determine the building to be illegal, impose fines, and request the construction police to remove the violation. Fines are collected by the municipality, and if owners refuse to comply, the director of the construction police can issue a demolition order, and proceed with the demolition.

A major factor in the determination of the legality of unauthorized construction is whether buildings fit with the character of development specified in the planning studies for the zone in question. This assessment will tend to prevent demolition of sound buildings on informally subdivided land in zones designated for residential use. The absence of conflicts can provide the legal groundwork for their regularization. The challenge is to devise strategies to get ahead of informal growth dynamics rather than be constantly outpaced by them. This is no easy task when budgetary resources are as limited as they are bound to be in the transitional period.

Crisis management places a high premium on generating immediate returns. This implies a necessity to rapidly integrate informal development into the legal and institutional framework for land management. Regularization will enable government to capitalize on the flow of remittances and the infusion of capital in real estate in order to finance the infrastructure needed for economic development. Eventually, cross-subsidy schemes could be devised to service sites affordable to limited income households.

Albania will continue to have to offer attractive incentives to foreign investors. Given the depth of the economic crisis, it can only do so through the management, use, and disposition of land assets. It is therefore essential that property rights and contracts be respected and enforced. Land parcels have different development potentials, and activities locate at sites which optimize returns on the resources invested. In the absence of security of tenure or occupancy, investors cannot be enticed to commit funds. Learning to deal with informal development activity offers unique opportunities to build up the technical and managerial capabilities of local governments, and help them institute mechanisms to engage citizens in the development of their communities.

**6.3 Critical Issues in the Transitional Period.** Crisis management entails a focus on those issues that are considered most critical in the transitional period. These include:

- 1) Clarification of the status of land in relation to ownership of buildings and flats.
- 2) Setting a time limit for the filing of restitution and compensation claims in order to permit the clearance of titles and the transfer of land to private owners and enable owners of privatized property to legally engage in transactions affecting land tenure. At present, the lack of a limit is a major cause of confusion in the status of urban real estate. It hinders private investment and is an impediment to economic development.

An inordinate share of municipal technical and managerial resources is devoted to dealing with restitution claims. It is a level of effort that cannot be sustained over the long haul without having adverse impacts on municipal governance. In Tirana 3,000 restitution claims are on file. They are being processed by a Restitution Commission appointed by the City Council and chaired by the Mayor. The Commission includes

council members, municipal staff, officials from the Cadastre, and urban planning agencies, as well as specialists outside the government structure. Legal measures must be enacted to ensure security of tenure to private investors, foreign and local, who acquire real estate from the National Agency for Privatization and protect them from future claims.

- 3) Instituting an uncomplicated and inexpensive review process to regularize informal building activities which balances public and private interests in regularization and avoids overwhelming the managerial resources of local government.
- 4) Establishment of a streamlined process for the review and issuance of development permits. Encouragement, compliance, simplified procedures, and lower fees should apply to small scale residential construction which accounts for the bulk of irregular land development.

## 7.0 STRATEGY FOR TECHNICAL ASSISTANCE

In Albania, the process of land management and urban development is being restructured within a legal and institutional framework that is in a state of flux. Legislation enacted is fragmentary, and many functionally obsolete regulations remain on the books. Draft laws are sometimes premature and difficult to operationalize. Financial management is hampered by the depth of the economic crisis and uncertainty regarding budget allocations.

Strategies for technical assistance should seek to structure flexible planning frameworks and effective linkages to meet needs in a period of economic restructuring, social adjustment, and rapid change. They must address priority issues without losing sight of longer term objectives. In order to be most effective, technical assistance should be directed at both central and local agencies.

**7.1 The introduction of methods of urban planning and development adapted to the workings of a market economy.** New models of strategic and physical planning, drawing on and adapting from European, American, and relevant experiences worldwide will help shape new modalities of managing urban development stressing central/local cooperation, public/private partnership, and community involvement in the development process.

**7.2 The institutionalization of processes and procedures reflecting the shift towards decentralized governance.** Central involvement in urban management will increasingly shift in the direction of providing assistance and support to municipalities in order to:

- Enhance their ability to capitalize on economic prospects and promote private investment in urban development. Experience worldwide has demonstrated the effectiveness of public/private partnership focusing on areas of overlap and leveraging resources.
- Help them valorize public investments in the rehabilitation and improvement of urban physical and social infrastructure.
- Help them develop their capabilities to discharge responsibilities already devolved to them and eventually to take on additional functions in a setting distorted by imbalances

between responsibilities and resources.

During the critical transition period, an important role of central government is to guide the use of scarce resources and keep local governments focused on the objectives of structural adjustment and economic development. This is a challenge that should be met through close coordination, concerted action, and proactive strategies. Land management is a central concern in structuring central/local relations and shaping development strategies.

**7.3 Proposed scope for technical assistance.** Within the broad strategic areas outlined above, technical assistance could focus on the following topics:

1. Structuring a coordinated approach to economic and spatial development which stresses the formulation of land development strategies rather than the development of land use plans.
2. Introducing flexibility in the regulatory framework for land development by:
  - Simplifying procedures for the issuance of development and building permits keeping in mind that streamlining the process will not eliminate bottlenecks caused by the unclear status of urban land and the ambiguities resulting from informal transactions.
  - Introducing concepts of flexible development frameworks and guidelines that offer options rather than directives.
3. Introducing simplified methods for the assessment of development options and the evaluation of proposals and feasibility studies.
4. Developing approaches to integrate and regularize informal development processes.

**7.4 The introduction of strategic planning methods to structure a coordinated approach to economic and spatial development.** The director of the National Planning Institute, and the head of the Planning Department in the Ministry are keenly aware of the necessity to discard functionally obsolete planning techniques, and adopt Western methods adapted to the management of urban development in decentralized systems of governance and market economies. They are groping for workable models applicable to their own situation.

They have not been exposed to the evolution of approaches to urban development in the West nor to concepts of strategic planning which are now widely used by central and local planning agencies to integrate economic growth target, social needs, and environmental objectives. Models followed by larger European and U.S. cities require data bases and information systems clearly beyond existing resources in Albania. Launching programs to build these systems would overwhelm the absorptive capacity of the institutions involved. Nor is it necessary to do so.

Strategic urban planning and management is essentially a process of dialogue and concertation between the State, the municipalities, the diverse interest groups in the communities and the citizens at large. The purpose of the process is to:

- Concretize a shared vision of the future
- Formulate procedures to prioritize conflicting objectives
- Formalize trade-offs underlying choices.

This analysis can be quite simple or very complex depending on the data and resources devoted to the task. Strategic planning can help state and municipal agencies clarify their goals, and develop strategies to meet competing demands in the context of economic realities, social demands, and political considerations which were not part of urban planning in socialist countries.

This process can be started with minimal inputs and be gradually expanded or restructured in parallel with the setting up of data bases and information systems at the national and local levels. Municipalities should be encouraged to experiment with new concepts of planning as a mechanism to structure the interface between participants in the urban development process, coordinate inputs of various interest groups and guide the debate of issues and options. It is an enriching experience that will help shape a framework for urban management which is functional and inclusionary.

The current disarray in the planning and management of urban development has to be overcome if Albania is to pursue coherent growth strategies and mobilize private investment during the transition period.

## **8.0 SELECTED MECHANISMS FOR THE DELIVERY OF TECHNICAL ASSISTANCE.**

Linking technical assistance to a priority activity for which capital funding is sought, or could eventually be obtained from foreign or domestic sources, maximizes the potential benefits of this assistance, particularly at the municipal level. It provides the best incentive to:

- Accelerate the building up of technical and managerial capabilities.
- Apply the skills acquired to tasks that are meaningful and important.
- Facilitate the introduction and institutionalization of changes in methods and practices.
- Disseminate this information to other municipalities through technical workshops.

Furthermore, it opens up possibilities of leveraging technical assistance funds by potential capital funding. The projects selected in the two cities of Tirana and Durrës meet the following criteria:

- Relate directly to a high priority item on the development agenda and link with major infrastructure works included in the public investment program for the upcoming three year cycle.
- Involve both the state and the municipalities, and build on commitments already made in terms of scarce manpower and resources.

- Are conducive to addressing the key issues identified by the mission and delivering tangible results.
- Offer realistic prospects of introducing changes in methods and practices which follow up activities could help institutionalize.

**8.1 Agencies involved.** The National Planning Institute has a staff of 43 of which 17 are professional architects, engineers, and planners. The Ministry's Planning Department has a professional staff of three planners. The City of Tirana professional staff consists mostly of surveyors. Out of a total of 33, 22 are involved in mapping related to the processing and restitution claims, and 11 are working with other organizations on city related projects. The other 12 professionals include 9 architects who also discharge planning functions. The City of Durrës Urban Planning Department has a staff of six professionals including one surveyor, one planner, and one architect. The District Durrës has an urban planning office with two professional planners and five building inspectors. The four agencies have within the limits of their resources committed staff time and budget allocation to the development of the selected projects. At this time five surveyors from the City of Tirana are working with the National Planning Institute to map the priority suburban zone.

The introduction of market concepts adds a dimension of complexity to issues of management of urban development that Albanian planning professionals have yet to absorb and integrate in their work. Technical assistance should be delivered through a sequence of small focused activities conceived in the context of the selected projects, such that each activity can result in a concrete output which could become an input or serve as a building block for the next task.

## **8.2 Selected Projects.**

**8.2.1 Development of a priority suburban zone in Tirana.** In Tirana, where demand on land is the highest, the supply of buildable sites is constrained by topography, poor accessibility, and the limited capacity of the water supply system. Upgrading of access roads and major water projects, which will significantly increase capacity, will also open up unserved suburban areas covering thousands of hectares to development.

The State and the City are collaborating on the development of a plan to annex the affected suburban zone to the municipality, thereby legally authorizing urbanization of these areas, which would now lie within the yellow line. Understandably, the District of Tirana is vehemently opposed to the project which would lead to an eventual phasing out of the district as a jurisdiction.

Public projects in general, and infrastructure in particular, trigger speculative investment in surrounding areas and along infrastructure corridors. There is no way in which projects of the size envisaged could be implemented in the northern suburbs of Tirana without having informal development sprout all over the landscape. There are no mechanisms in place to control the proliferation of informal settlements which will end up consuming the most valuable land.

The Ministry of Construction, the National Planning Institute, and the City of Tirana have requested technical assistance to help them:

- Structure the development of new suburban zones.

- Find mechanisms for the financing of infrastructure.
- Prevent the spread of unauthorized construction.

Focusing on the priority zone, which will be directly served by trunk infrastructure lines included in the public investment program, the project could demonstrate methods to capitalize on land assets and mobilize private resources in order to generate funds for capital investments in infrastructure and urban services through public private partnerships in urban development.

**8.2.2 Multi-use developemnt on annexed land in Durrës.** The city and the District of Durrës are struggling to cope with illegal building activity impeding the transfer and development of land assets and mounting housing needs as a result of forced displacement of families in restituted buildings.

They seek to capitalize on 2,600 hectares of swamp land reclaimed 30 years ago, which in accordance with the restitution law, remain in state ownership. Only agricultural use rights are granted to leaseholders.

The City and the district have designated an emergency study zone of 68 hectares to allow the extension of the yellow line, adding to the city jurisdiction city a long narrow corridor along its western edge. While they do want to develop housing on part of the site, the City and the District both feel that the programmed rehabilitation of the infrastructure and the reactivation of the port will create opportunities for commercial and industrial development on the site. A competition was announced to obtain proposals for a designated priority zone closest to the urbanized area. The winning entries are to be selected at the end of May.

The City and the district have requested technical assistance to help them develop a strategy for the valorization of the site and modalities for working with foreign firms to attract investments in infrastructure on a BOT basis or through other methods.

The project offers possibilities to develop and test new approaches to manage urban development clearly linking spatial strategies to economic, social, and environmental objectives.